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DEPT FOR AF/S - WALCH AND MARBURG

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TAGS: [PREL](#) [ETRD](#) [ECON](#) [EFIN](#) [ASEC](#) [EMIN](#) [ZI](#) [SF](#)
SUBJECT: DEMARCHE DELIVERY: ILLICIT DIAMOND ACTIVITY IN
ZIMBABWE

REF: STATE 126054

Classified By: Acting Political Counselor Madeline Q. Seidenstricker.
Reasons 1.5 (b) and (d).

¶1. (C) Summary: Poloff and econoff delivered demarche (reftel) to Department of Foreign Affairs (DFA) officials and diamond industry leaders on illicit diamond activity in Zimbabwe. Although this activity threatens the local diamond industry, it appears the South African Government (SAG) has taken no action to combat the trafficking of illicit diamonds from Zimbabwe to or through South Africa. The demarche pushed industry and Kimberley Process (KP) related groups to call for greater awareness and action against the problem. End summary.

¶2. (C) On December 9, 2008 poloff met with Deputy Director for Zambia and Zimbabwe John Vilakazi and Assistant Director Eden Reid, who emphasized that illegal mining in Zimbabwe was not a new issue. They recalled 2004 discussions about this subject. They said the South African mining industry was taking steps to limit illegal mining in Zimbabwe, but with difficulty as the diamonds easily crossed the border into South Africa through a sophisticated network of syndicates. They mentioned no steps taken by the SAG against illegal mining in Zimbabwe, but said their embassy in Harare was following the issue. Reid said the problem was more of a concern in the Democratic Republic of the Congo and West Africa because of the greater volume and value of mined products in those areas. He said he would pass the points we provided to the Department of Minerals and Energy.

¶3. (C) Reid added that more gold was smuggled out than sold legally in Zimbabwe. He blamed this on Zimbabwe government policy that forced the sale of gold to parastatals at lower than market prices. Reid described the gold mining industry in Zimbabwe as highly centralized and unregulated. (Comment: Post understands that the Government of Zimbabwe has also failed to pay the mining companies for the sale of gold to the Zimbabwe Reserve Bank, leading many of the same mining companies to cease operations. End comment.)

¶4. (C) Econoff shared demarche points with the Corporate Executive Officer of South Africa Diamond and Precious Metals Regulator and representative for the KP Louis Selekane, World Federation of Diamond Bourses President and World Diamond Council (WDC) Vice Chairman Ernest Blom, and DeBeers Managing Director Faried Sallie. Blom alerted diamond industry leaders to the issue through a WDC press release entitled, "WDC Calls for Concerted International Action to Halt Theft of Natural Resources in Zimbabwe." In addition, Blom shared recent press releases highlighting KP efforts to combat and penalize illicit diamond trade from Zimbabwe via the KP Working Group on Diamond Experts and the KP Civil Society Coalition.

BOST